

How is the Real Estate sector facing new times and realities?

V IBERIAN REITT & LISTED CONFERENCE

BORJA ORTEGA
Madrid, February 15th 2023



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

2022 a record year...with a turning point in Q4

2022

€15.4 bn

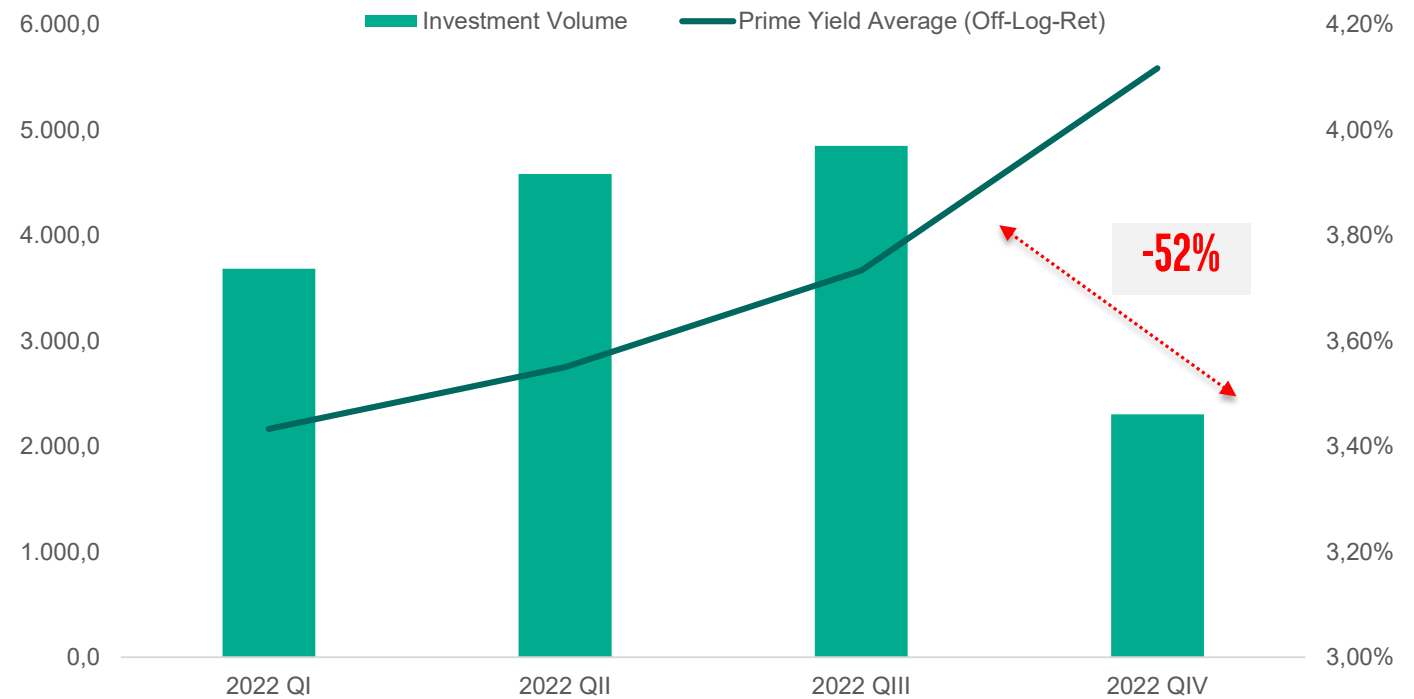
+35% YoY

Q4 2022

€2.3 bn

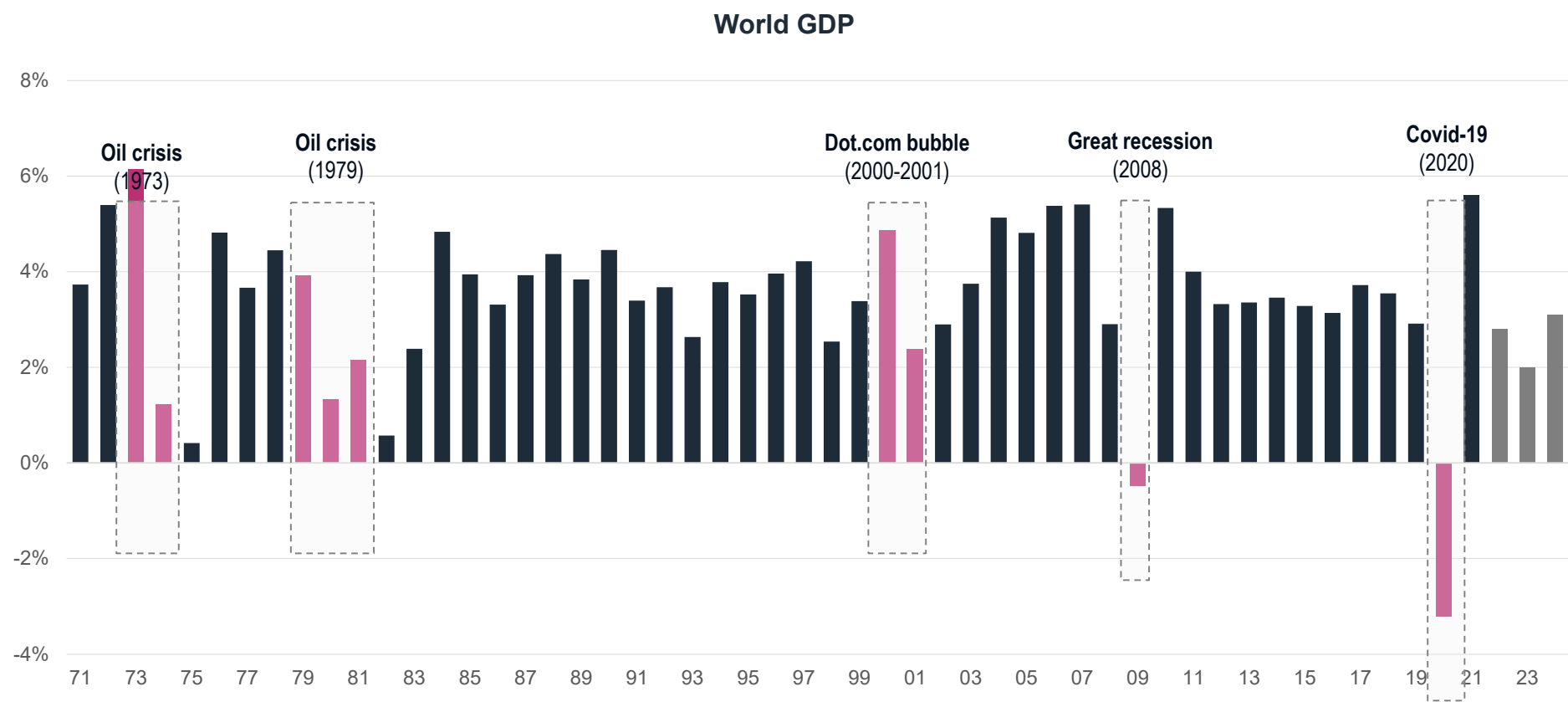
-52% QoQ

INVESTMENT VOLUME & PRIME YIELD TREND 2022



Sources: BNPPRE

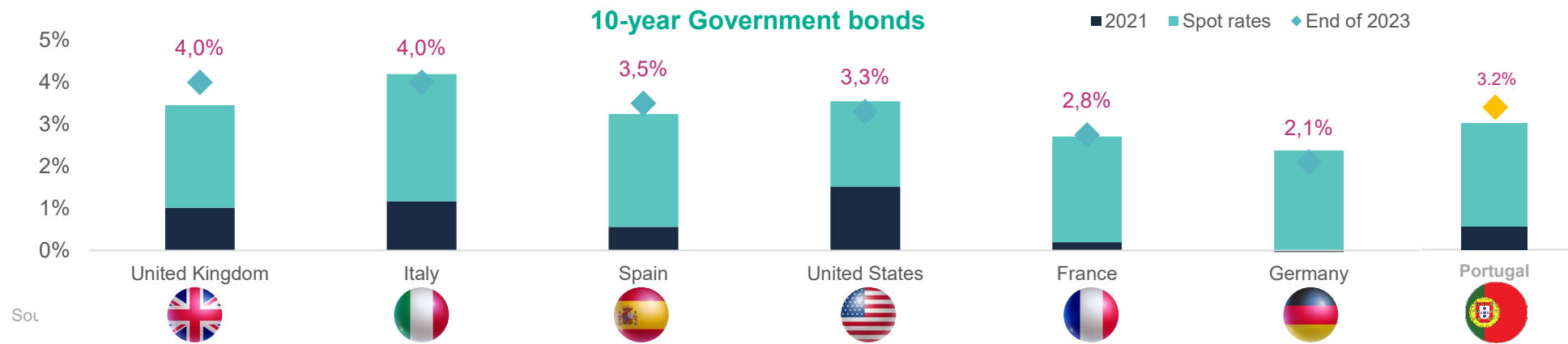
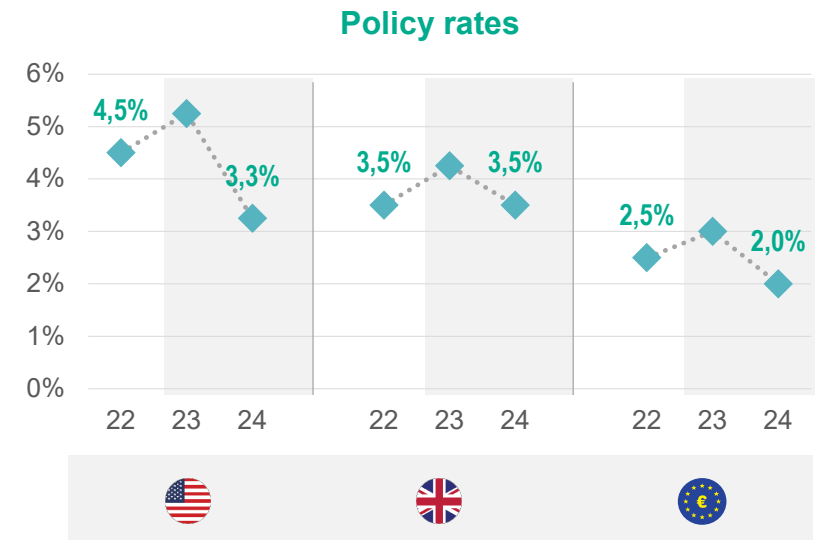
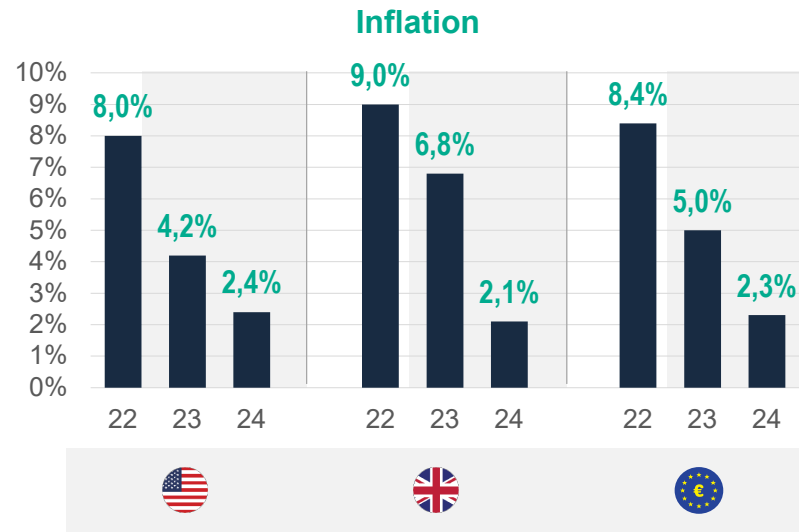
Learning from history...



Sources: BNP Paribas Real Estate, OECD.

...and how macroeconomics impact in Real Estate

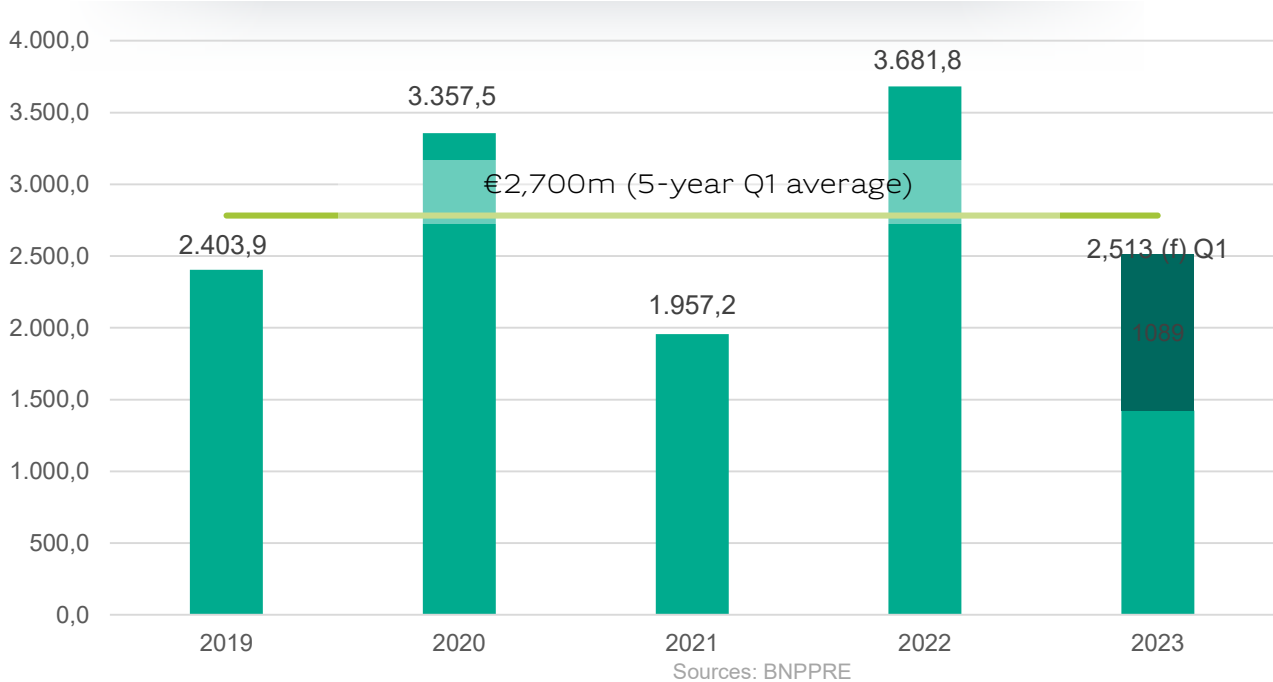
A NORMALIZATION OF MONETARY POLICY



Sources: BNP Paribas Economic Research, OECD.

Wait & See.. but more positively than we expected in December

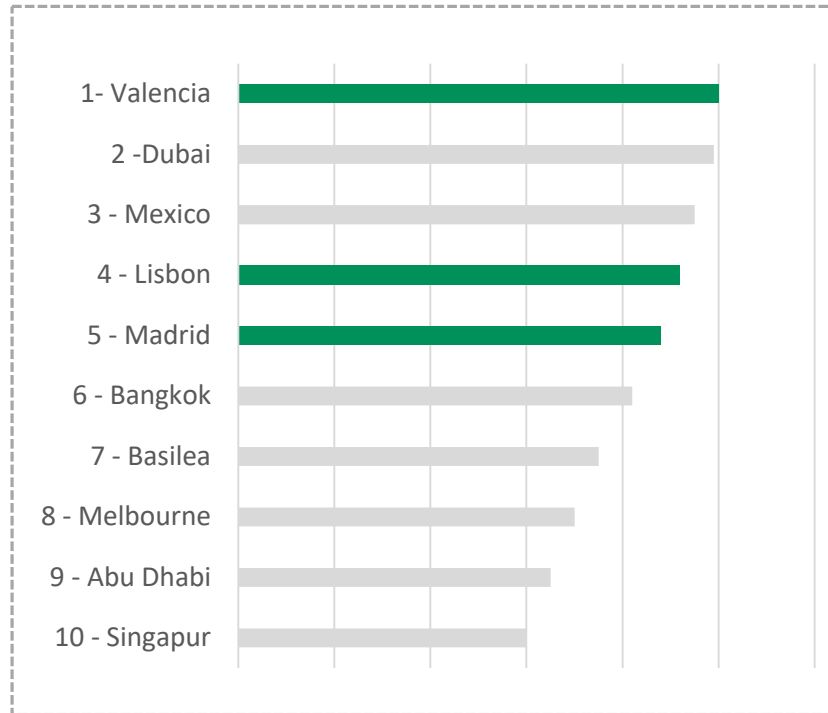
INVESTMENT VOLUME Q1 (2019-2023 f)



INSURANCE & PRIVATE INVESTORS / FAMILY OFFICES

Iberia attracting RE investment

QUALITY LIFE



Sources: InterNations Ranking – December 2022

SOME INSIGHTS FOR SECTORS

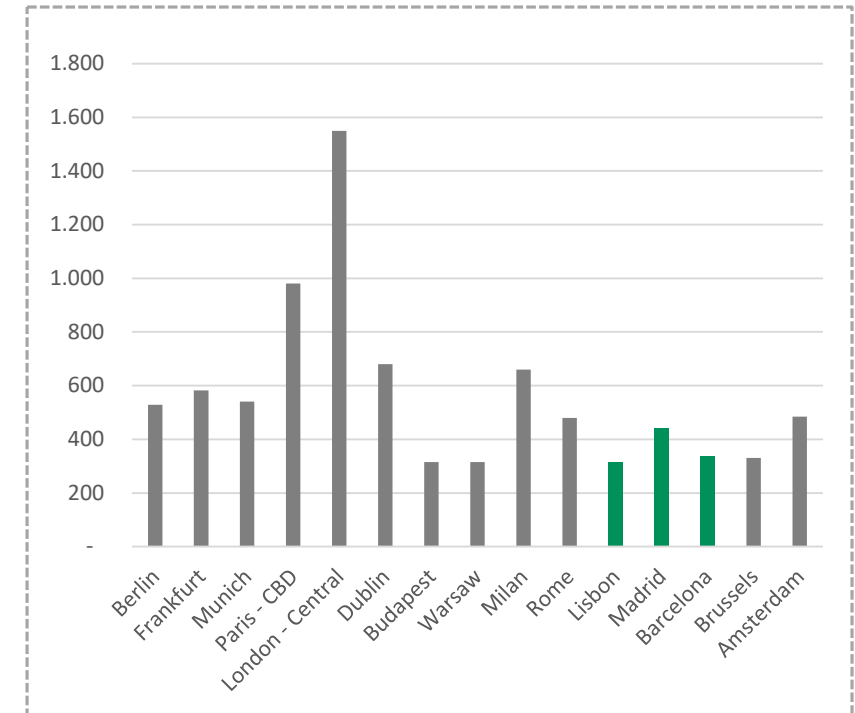
OFFICE:
(Outsourcing, costs, quality life for employees)

HOTELS:
(Spain & Portugal key markets for investors)

EDUCATION SECTOR & HEALTHCARE:
(High resilient - anti cycle POPULATION pyramid - international demand)

LOGISTICS & INDUSTRIAL:
(Data centers, Europe hub)

COMPETITIVE RENTS



Sources: BNPPRE

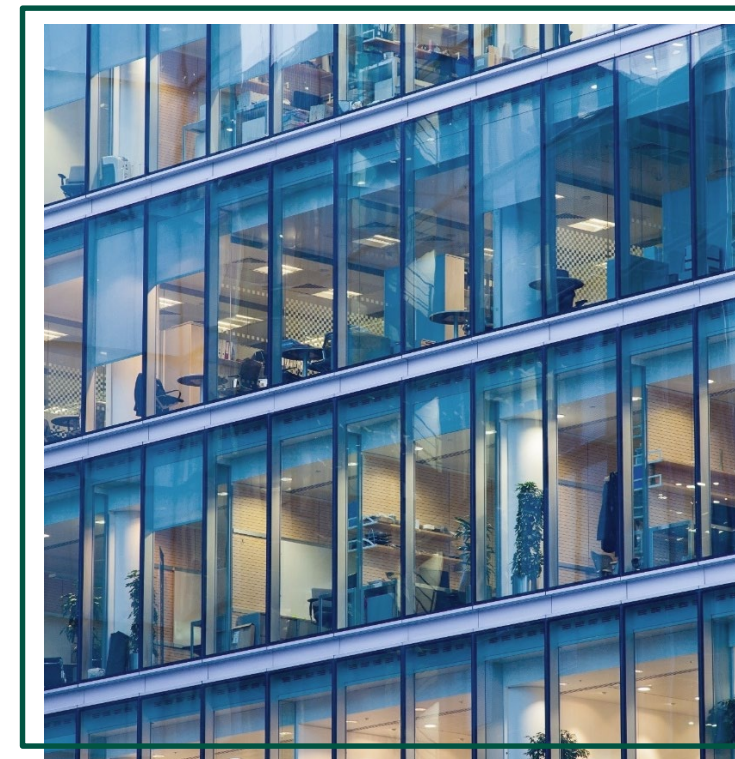
Key Trends for 2023



LOGISTICS



LIVING



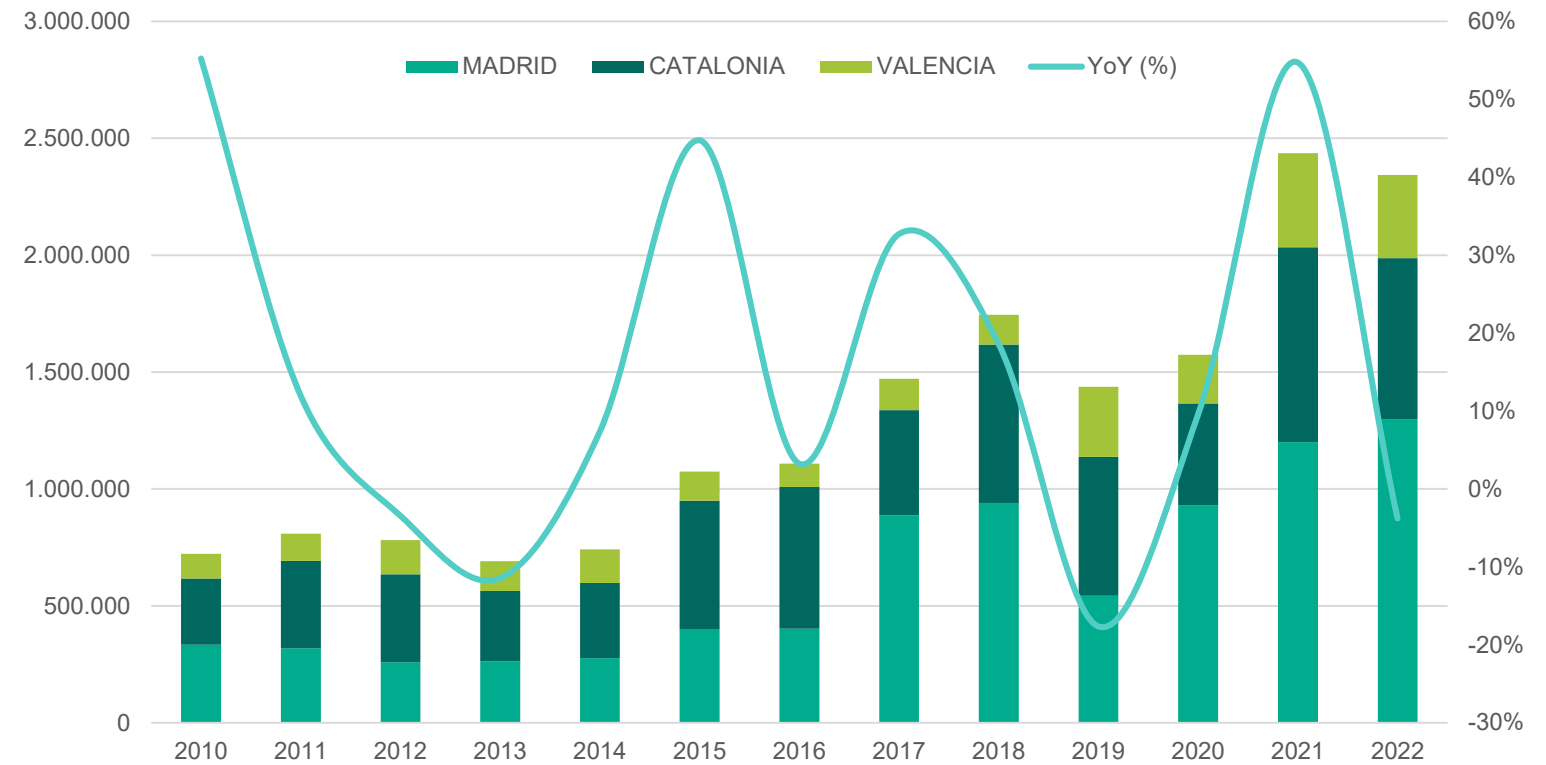
OFFICE – FLY TO QUALITY

Logistics maintain its positive health



LOGISTICS

TAKE-UP EVOLUTION



**ONLINE PENETRATION
ON RETAIL SALES (2022)**

**2.34 M of sqm
In 202**

**-4% vs 2021
+34% vs 2018 (previous
peak)**

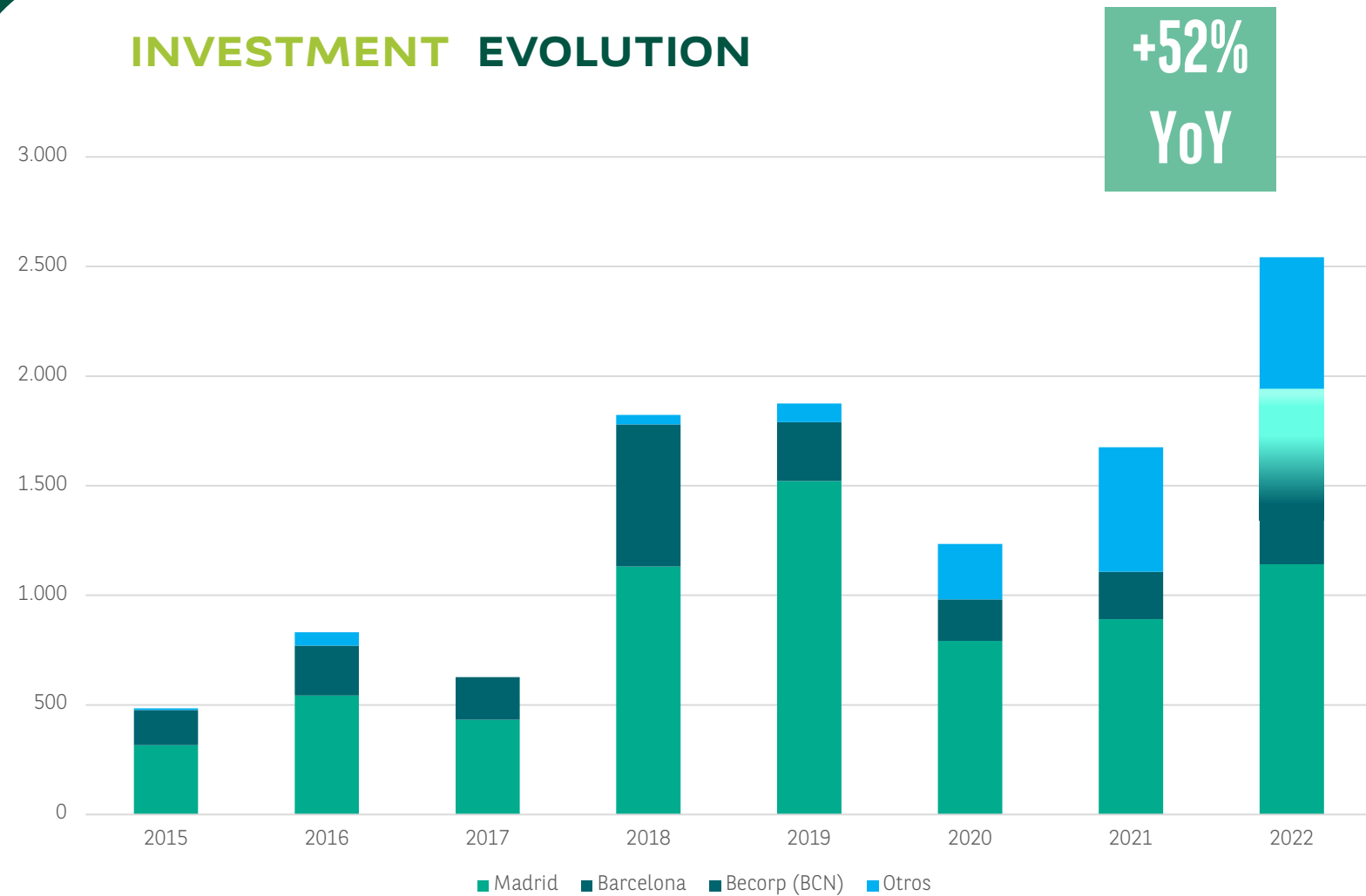
Real Estate for a changing world

Residential: top investment evolution



RESIDENTIAL

INVESTMENT EVOLUTION



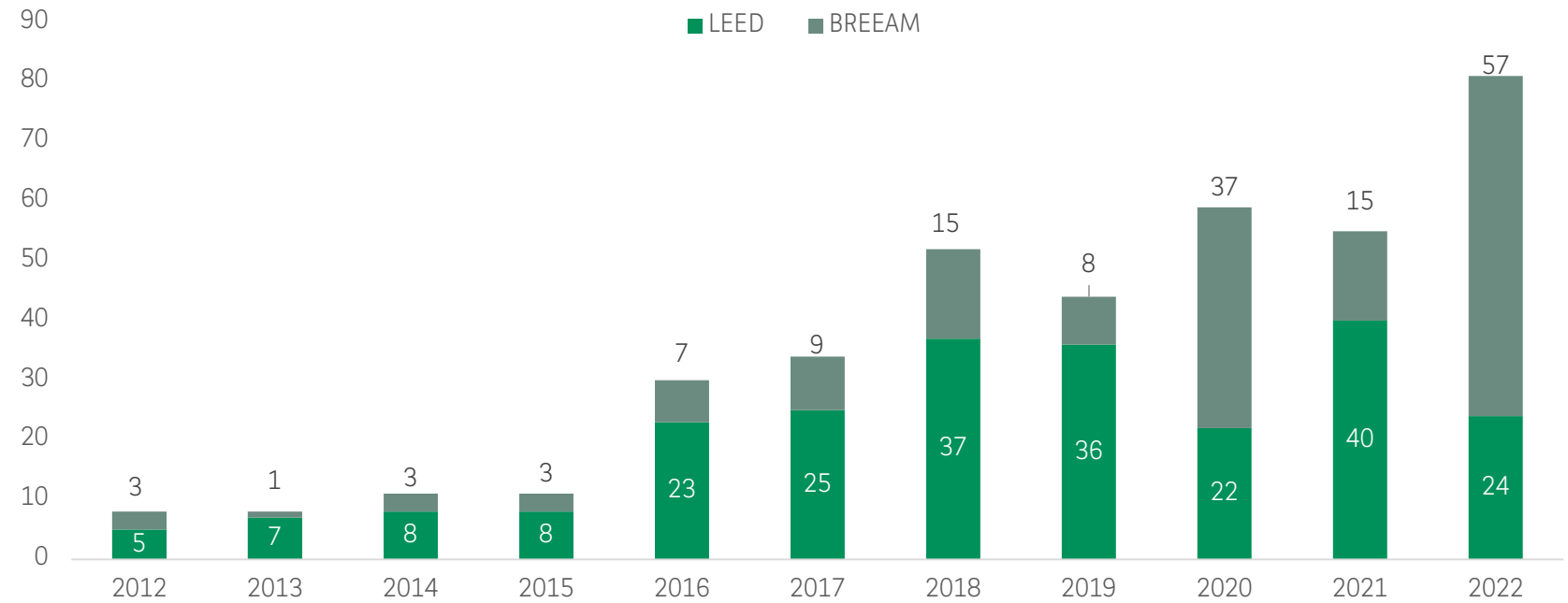
€2.60 bn

INVESTMENT
VOLUME
2022

Fly to quality- ESG Criteria



OFFICE



2012-2021

330 ASSETS

10 years

2022-2025

320 ASSETS

4 years

Real Estate for a changing world

IMPACT DUE TO HIGHER INTEREST RATES

RISK

FOCUS ON ICR

(Interest coverage ratio)

LTV is not enough to fully assess risk.

ALL SECTORS, BUT MORE PRUDENCE

Fly to quality

Simple transactions

Developments

All sectors, unlike COVID

DEBT

More expensive

Re-pricing of 25-40 bps.

Key Challenges for the **FUTURE**

CRITERIA FOR THE NEW TIMES TO COME:

More and more analysis needed

Greater impact of urban policies

Quality is paramount: **ESG criteria**

Key Challenges for the **FUTURE**

MARKET PROSPECTS

IS RECESSION INEVITABLE?

- The drop in gas prices
- Decline in headline inflation
- 2023 might be better than expected
- Better prospects for Iberia

A YEAR OF DISINFLATION

- All indicators are showing that the peak of inflation is behind us in the US and in Europe
- EU (f) 5.9 (2023) & 2.4 (2024)
- SPAIN (f) 4.2 (2023) & 2.6 (2024)
- PORTUGAL (f) 4.4 (2023) & 3.0 (2024)

Key Challenges for the **FUTURE**

MARKET PROSPECTS

INVESTMENT REDUCING

- The increase in financing costs in Europe during 2022, led to repricing in Q4 22 & Q1 23
- We come from historical maximums
- We expect a more visible investment activity from Q2

YIELDS ARE EXPANDING

- 2022 shows the first strong signs of expansion, affecting all the main sectors of real estate
- Prime Yield Expansion during H1 (50 bps) and stabilization in H2

Key Challenges for the **FUTURE**

MARKET PROSPECTS

STRENGTH OF DEMAND

- OFFICE TAKE-UP returned to its long-term average
- LOGISTICS. Users demand very strong boosted by e-commerce
- RESIDENTIAL. Demand is well above supply in main markets

AN INCREASING FOCUS ON QUALITY OVER QUANTITY

- Hybrid work models, attractive and modular workplaces offering greater connectivity.
- High demand for energy-efficient and sustainable buildings.
- Responsibility

Key Challenges for the **FUTURE**

MARKET PROSPECTS

RETAIL

- Targeted focus on bringing in investment in Retail Parks, hypermarkets and supermarkets
- High Street remains in high demand not only for investors, but also for users